



Annual Adjustment of Assessed Values FACT SHEET

Annual Adjustments Summary



Annual Adjustments or “trending” of property values became part of Indiana’s move to a market-based assessment system upon order of the Indiana Supreme Court in 1999. Trending requires assessors to

research sales of properties in a particular area over the previous two years. Using that information, assessors then estimate the values of other properties in the same area to determine an assessed value.

Taxpayer Impact

Taxpayers may see an increase or decrease in their assessments after the annual adjustment of their assessment. The resulting tax bill may change in part due to the assessment change and also due to expenditures by local government.

Because property values rise and fall over time, annual adjustments ensure an assessment reflects current market value-in-use of a property. With annually adjusted market-based assessments, taxpayers are assured their assessment reflects market conditions during the prior two calendar years.

HOW ANNUAL ADJUSTMENTS WORK FOR 2007 ASSESSMENTS PAYABLE IN 2008

- 1) The assessor examines sales from the calendar years of 2005 and 2006.
- 2) The assessor compares the 2006 sales information to the assessed valuation for 2007.
- 3) The assessor adjusts the 2006 payable 2007 assessment by a factor created using the 2005 and 2006 sales.

For Example: 5 homes sold in a neighborhood:

	2006 Sale	2006 AV	Ratio:
2006 home sale #1	\$100,000	\$82,000	.82
2006 home sale #2	\$92,000	\$78,200	.85
2005 home sale #3	\$120,000	\$114,000	*.95
2005 home sale #4	\$109,000	\$104,640	.96
2005 home sale #5	\$111,000	\$112,110	1.01

Factors can be positive, negative, or none.

Factor = 1.05

Median Ratio = *.95

The factor is obtained by dividing 1.00/.95 which calculates to be 1.05.
The 2006 assessed value (AV) times the adjustment factor equals the new 2007 AV.

Q: What is trending?

A: Trending is a way of assessing the value of real estate to account for changes in the market place. Trending requires assessors to research sales of properties in a particular area over the previous two years. Using that information, assessors then estimate the values of other properties in the same area to determine an assessed value. A chart depicting the history of trending is available at: www.in.gov/dlgf/files/HistoryOfPropertyValuationChanges.pdf.

Q: Why are we trending property values?

A: In 1999, the Indiana Supreme Court ruled that Indiana's property tax system was unconstitutional. As a result, the legislature required the state to move to a market-based assessment system in 2002, joining 48 other states across the country.

Q: What is a general reassessment?

A: A general reassessment is a process undertaken by local assessing officials to ensure that property records are accurate representations of parcels of land and/or their improvements. During a reassessment, local assessing officials visit each property to ensure information on the property record card - for instance, the square footage of the building, acreage of the land, etc. - are correct. Current law provides for state-wide reassessments every five years. The next general reassessment will begin on July 1, 2009 to be completed for 2011 taxes due and payable in 2012. The mission of a reassessment is to inventory, verify, and value all real estate parcels.

Q: How do I appeal an assessment?

A: If you believe the value of your property is not the same as the assessment you may appeal your assessment. In order to successfully appeal your assessment, you should establish a valid case. This can be accomplished by providing information such as sales of the subject property, comparable properties, or an appraisal (although an appraisal is not required to appeal your assessment). Information about the appeals process is available on the DLGF Web site at www.in.gov/dlgf/2508.htm. Our fact sheet with "Frequently Asked Questions" is located at www.in.gov/dlgf/files/PropertyTaxAppealsProcess.pdf and a chart of the process is available at www.in.gov/dlgf/files/AppealsProcessFlowchart.pdf. Visit the Indiana Board of Tax Review's Web site at www.in.gov/ibtr/.

Q: How do I know if my new assessed value is correct?

A: The assessed value should reflect the amount a willing buyer would pay for the property at the time of assessment. When a property owner receives the notice of new assessment, the best way to determine if it is accurate is to ask if the property could have sold for approximately that amount. The accuracy of assessments refers to how close the assessments determined by local assessing officials are to market value-in-use.

Q: I own commercial property and saw a big increase in my bill. I did not make any changes to my property. What happened?

A: A 2008 tax bill that was higher than the 2007 tax is a result of either an increase in the assessed value of the property, or a tax rate increase in the taxing district where the property is located, or both. It is also possible that the assessor corrected an under assessment of the property.

FREQUENTLY ASKED QUESTIONS

Q: What is the difference between Market Value and Market Value-In-Use?

A: “Market value-in-use” is the value of property for a specified use, meaning that the value of the property is based on the ability of the property to produce revenue or utility for a particular use. For example, a residential home is valued as a place to live and not a commercial location no matter where the home is physically sited.

Market value reflects the most probable price, estimated in terms of money, which a property would bring in a sale between a willing buyer and seller under arms-length conditions, in an open market with adequate market exposure and reasonable marketing time.

Q: My assessor won’t talk to me. What can I do?

A: The DLGF has “Field Representatives” who can assist you. These individuals are certified assessors, and work in specific regions of the state, so they are well-versed on issues in specific counties. Contact information for your county is available at www.in.gov/dlgf/files/Assessment_Field_Repsby_County.pdf.

The DLGF Field Representative will help set up a meeting with the assessing official. You may also wish to talk to your county commissioners and/or county council to request assistance. You can ask these officials to help you set up a meeting with the assessor.

Q: The Property Tax Assessment Board of Appeals (PTABOA) is not functioning. What can I do?

A: Four members of the PTABOA are appointed by local government; two by the county council and two by the county commissioners. Write a letter asking these two bodies to appoint their members and oversee that the board functions with speed and precision.

CONTACT INFORMATION

For more information on annually adjusting values of property in Indiana, contact your County Assessor. A complete listing of Assessor contact information is located online at www.in.gov/dlgf/2440.htm.

Contact information is available at the Indiana Department of Local Government Finance at www.in.gov/dlgf/2338.htm.